

Message Text

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EXDIS

E.O. 11652: XGDS-3

TAGS: ENRG, UK

SUBJECT: WORLD OIL PRICE -- SECRETARY'S MEETING WITH
BRITISH AMBASSADOR

1. DURING A MEETING WITH THE SECRETARY ON NOVEMBER 30,
BRITISH AMBASSADOR PETER JAY ASKED IF THE VENEZUELAN
HAD SAID ANYTHING DIFFERENTLY TO THE SECRETARY IN PRIVATE
THAN THEY HAD SAID IN PUBLIC ABOUT THEIR POSITION ON A
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POSSIBLE OPEC DECISION TO RAISE THE PRICE OF OIL.

2. THE SECRETARY REPLIED THAT PRESIDENT PEREZ HAD
RESTATED HIS VIEW THAT THE DEVELOPED COUNTRIES HAD NOT
TAKEN ADEQUATELY INTO ACCOUNT THE INTERESTS OF THE
DEVELOPING COUNTRIES, ESPECIALLY CONCERNING THE INCREASED
PRICES THEY WERE PAYING FOR THE MANUFACTURED PRODUCTS OF

THE DEVELOPED COUNTRIES. THE SECRETARY SAID HIS RESPONSE WAS THAT THERE WERE TWO KINDS OF DEVELOPING COUNTRIES: THE OPEC ONES AND THE OTHERS. PEREZ HAD AVOIDED COMMENT ON HIS POSITION ON AN OIL PRICE RISE AT HIS PRESS CONFERENCE FOLLOWING THEIR MEETING.

3. THE VENEZUELAN MINISTER OF MINES HAD ADVANCED THE NOTION OF SEEKING A REDUCTION IN PRODUCTION BY SOME OF THE OPEC MEMBERS, IN PARTICULAR IRAN AND SAUDI ARABIA --

THEREBY PERMITTING VENEZUELA AND OTHERS TO SELL THEIR FULL PRODUCTION AT THE PRESENT PRICE RATHER THAN AT THE DISCOUNT PRICE WHICH THEY ARE NOW FORCED TO ACCEPT. UNDER SUCH AN ARRANGEMENT, THE MINISTER SUGGESTED THAT VENEZUELA MIGHT BE ABLE TO AGREE TO A FROZEN PRICE. THE SECRETARY SAID HE DID NOT OFFER ANY COMMENT TO THIS PROPOSITION NOR DID HE THINK WE WOULD.

4. THE SECRETARY ALSO REPORTED THAT THE VENEZUELAN FOREIGN MINISTER HAD CONFIDED THAT HE DID NOT KNOW WHETHER THE SCHEDULED OPEC MEETING IN CARACAS ON DECEMBER 20TH COULD BE HELD BECAUSE OF SECURITY PROBLEMS. WE SUSPECT, HOWEVER, THAT THE PROBLEM MAY BE THE INABILITY OF THE OPEC MEMBERS TO REACH AGREEMENT ON THE ISSUE OF AN OIL PRICE RISE. THE SECRETARY ASKED JAY TO REPORT THIS TO OWEN IN THE STRICTEST SECRET

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CONFIDENCE SINCE HE HAD NOT TOLD ANYONE ELSE OF THIS CONVERSATION.

5. THE SECRETARY SAID THE ARGENTINIANS HAVE WEIGHED IN AGAINST ANY INCREASE AND WE ARE HOPEFUL THAT THE BRAZILIANS MAY FOLLOW SUIT. WE NEED MORE DEVELOPING COUNTRIES TO TELL THE OPEC MEMBERS OF THEIR STRONG OPPOSITION TO ANY INCREASE. THIS HAS BEEN A PROBLEM IN THE PAST. WE WERE PLEASED THAT INDIA HAS DECLARED ITS OPPOSITION. WE HAVE ALSO TALKED TO THE INDONESIANS WHO SAY THAT IF THE IRANIANS AND THE SAUDIS HOLD THE LINE, THEY ALSO COULD. OTHERWISE, THE INDONESIANS WOULD LIKE TO SEE A SEVEN PERCENT INCREASE AT THIS TIME. THEY REALLY PRESSED US TO MAKE SURE THAT WE REALLY ARE OPPOSED TO ANY INCREASE. THE KEY WILL BE IF IRAN AND SAUDI ARABIA WILL HOLD THE LINE -- THEN WE COULD PROBABLY PERSUADE VENEZUELA NOT TO PRESS FOR AN INCREASE EITHER.

6. TO THE SECRETARY'S QUESTION, JAY SAID HE WAS NOT SURE WHETHER HIS GOVERNMENT HAD BEEN IN TOUCH WITH OPEC COUNTRIES BUT HE WOULD CHECK. VANCE

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